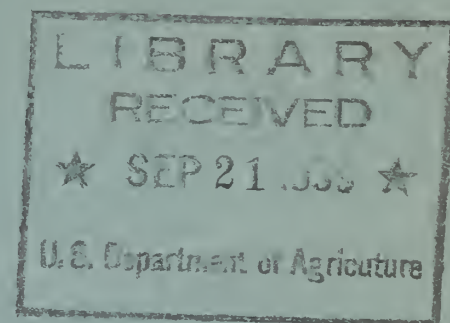


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

1.442
C 32C 824

UNITED STATES DEPARTMENT OF AGRICULTURE
U.S. AGRICULTURAL MARKETING SERVICE



FREE CLASSIFICATION OF COTTON AND COTTON MARKET NEWS

Handbook for Group Representatives and
Others in Communities Organized to
Promote the Improvement
of Cotton

Washington, D. C.
August 1939

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

Free Classification of Cotton and Cotton Market News

Handbook for group representatives and
others in communities organized to
promote the improvement
of cotton

Table of Contents

	<u>Page</u>
Introduction	<u>1</u>
Questions answered in this handbook	3
Some of the general duties and opportunities for service by group representatives (sections 1 to 8)	8
Drawing, preparing, and shipping samples (sections 9 to 15)	9
Classification of samples and quality (sections 16 to 32)	10
Cotton market news service (sections 33 to 64)	20
Marketing members' cotton (sections 65 to 67)	29
General information on the cotton situation (sections 68 to 70)	29
Regulations governing classification and market news	31

Introduction

Standardization and classification of the grade and staple length of cotton have been well established for many years. Almost without exception, cotton mills in this country and abroad hold merchants to rigid classification of cotton, according to generally accepted standards or according to private types. But many cotton farmers in the United States have little or no reliable information about the grade and staple of their cotton or the relative value of various grades and staples. The result is that studies of conditions in local cotton markets have shown that farm prices, in many cases, do not accurately reflect differences in the spinning value of the various qualities of cotton. A situation of this kind discourages quality improvement and gives rise to injustices between farmers that need correction.

To encourage cotton quality improvement and better marketing conditions, Congress, on July 1, 1938, made funds available for free classification and market news service under the terms of Public No. 28, 75th Congress (April 13, 1937), commonly known as the Smith-Doxey Act:

(Public--No. 28--75th Congress)
(Chapter 75--1st Session)
(S. 1500)

AN ACT

Authorizing the Secretary of Agriculture to provide for the classification of cotton, to furnish information on market supply, demand, location, condition, and market prices for cotton, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple length of cotton", approved March 3, 1927, is amended by inserting between sections 3 and 4 thereof the following new sections:

"Sec. 3a. The Secretary of Agriculture, upon request in writing from any group of producers organized to promote the improvement of cotton who comply with such regulations as he may prescribe, is authorized and directed to determine and to make promptly available to such producers, the classification, in accordance with the official cotton standards of the United States, of any cotton produced by them. The Secretary of Agriculture is further authorized to pay the transportation charges and to furnish tags and containers for the samples of cotton submitted for classification under this section, and all samples of cotton so classified shall become the property of the Government, and the proceeds of any sales thereof after classification shall be covered into the Treasury of the United States as miscellaneous receipts.

"Sec. 3b. The Secretary of Agriculture is also authorized and directed to collect, authenticate, publish, and distribute, by telegraph, radio, mail, or otherwise, timely information on the market supply, demand, location, condition, and market prices for cotton, and to cause to be prepared regularly and distributed for posting at gins, in post offices, or in other public or conspicuous places in cotton-growing communities, information on prices for the various grades and staple lengths of cotton.

"Sec. 3c. The Secretary of Agriculture is further authorized to make such rules and regulations as he may deem necessary to effectuate the purposes of this Act."

Approved, April 13, 1937.

In brief, the Smith-Doxey Act directs the Secretary of Agriculture to furnish cotton farmers who organize to improve their cotton the following services upon written request:

- (1) Free classification of cotton produced by each organized group.
- (2) Timely information on the market supply, demand, location, condition, and market prices for cotton.

The Secretary of Agriculture is further authorized to make necessary regulations to effectuate the purposes of the Act. A copy of the Secretary's regulations-- issued June 8, 1938-- and subsequent amendments may be found on page 31, line 6.

To be eligible for services furnished under the Smith-Doxey Act, it is necessary for each organized group of farmers to designate a local representative and an alternate representative to act for members of the group. The duties and responsibilities of these designated representatives are many and it is essential that they understand what is required of them if the group is to function with maximum efficiency.

In order to assist these group representatives, group officers, and the membership generally, this handbook has been prepared. It assumes that the group is already organized and is ready to start using the services. No attempt is made to answer every conceivable question that is likely to arise in connection with the actual functioning of organized groups. But the material presented in this handbook is believed to cover most of the essential features of free classification and market news services for organized groups.

It should be understood that much of the material included in this handbook is for guidance in the effective operation of organized groups. Since in some instances alternative procedures are suggested, it is apparent that it will not be practical for each group to follow this handbook in its entirety. Field representatives of the Agricultural Marketing Service will visit groups from time to time and assist with special problems as they arise.

The material included in this handbook is divided into sections. Each section is intended to be an answer to a specific question and is numbered to correspond with the numbers of the following questions:

Some of the General Duties and Opportunities for Service
by Group Representatives

Answers on page

- | | |
|---|---|
| 1. How may local representatives encourage the proper functioning of the organized group? | 8 |
| 2. How much time will it be necessary for the group representative to devote to his duties during the ginning season? | 8 |
| 3. What specific information should group representatives furnish members? | 8 |
| 4. How can group leaders keep members posted on the operation of the organization? | 8 |
| 5. What arrangements should be made for contacts between group representatives and representatives of the Agricultural Marketing Service? | 8 |

- | | | |
|----|--|---|
| 6. | How can group representatives encourage proper harvesting methods by members? | 8 |
| 7. | How can group representatives encourage proper ginning and packaging of cotton? | 9 |
| 8. | What means can be used to prevent ineligible cotton from being ginned along with members' cotton of the adopted variety? | 9 |

Drawing, Preparing, and Shipping Samples

- | | | |
|-----|---|----|
| 9. | What arrangements need to be made for sampling cotton eligible for classification? | 9 |
| 10. | What is the importance of obtaining representative samples? | 9 |
| 11. | What is the best method of sampling and trimming? | 9 |
| 12. | What should be written on the Form 1 classification card before it is placed in the sample? | 10 |
| 13. | How should samples be prepared for shipment? | 10 |
| 14. | Is prompt shipment of samples essential and what arrangement is made for payment of transportation costs? | 10 |
| 15. | What is done with the samples when they are received at the classing office? | 10 |

Classification of Samples and Quality

- | | | |
|-----|--|----|
| 16. | What is meant by the classification of cotton? | 10 |
| 17. | What is meant by grade? | 14 |
| 18. | What is the importance of grade? | 14 |
| 19. | What are some of the factors that affect grade? | 14 |
| 20. | What is meant by staple length? | 15 |
| 21. | What is the importance of staple length? | 15 |
| 22. | What are some of the factors that affect staple length? | 15 |
| 23. | What is character? | 15 |
| 24. | To what extent is the classification of cotton likely to vary? | 15 |

	<u>Answers on page</u>
25. Where does the grade of the sample appear on the Form 1 classification card?	17
26. What is the meaning of the various abbreviations for grade, as SM, M, and SLM?	17
27. Where does the staple length of cotton appear on the Form 1 classification card?	17
28. What is meant by "Reduced from a/c" which appears on the Form 1 card?	17
29. What is written under "Remarks" in the lower right-hand corner of the Form 1 classification card?	17
30. How soon will members receive Form 1 classification cards after their cotton is sampled?	18
31. What information is returned to local representatives or sampling agencies regarding the classification of members' samples?	18
32. How should this classification sheet be used?	20

Cotton Market News Service

33. What price quotations does a member of an organized group need in order to sell his cotton so as to obtain full value for grades and staples?	20
34. How can group representatives assist members in obtaining accurate price quotations in local markets?	20
35. Why are actual prices likely to vary somewhat from those quoted at a given time?	20
36. How should cotton futures prices be used in figuring local market prices?	20
37. What are cotton futures prices?	20
38. What are cotton futures contracts?	21
39. What are cotton futures markets?	21
40. How can group representatives and members of organized groups obtain current cotton futures prices?	21
41. How may current cotton futures prices be obtained by radio?	21
42. Where can cotton futures prices be found in daily newspapers and in what form are they published?	21

43. Is it practical for group representatives to obtain cotton futures prices from telegraph services? 22
44. Does the Agricultural Marketing Service publish any reports showing cotton futures prices? 22
45. What are the possibilities of obtaining current cotton futures prices from brokerage offices? 22
46. Should price quotations for the near-active futures months be used by group representatives and members of organized groups in figuring local prices? 22
47. Are cotton futures prices of any value as indicators of local prices in the absence of information on the local "basis" for various qualities of cotton? 22
48. What is meant by "basis"? 22
49. What are the chief sources of information that should be used in determining the basis in local markets? 23
50. Illustrate the form in which the cotton futures prices, the basis, and premiums and discounts for grade and staple may be set up for practical use of organized groups in local markets. 23
51. Illustrate the way in which actual local market prices are computed, using the cotton futures prices, the basis, and grade and staple premiums and discounts. 23
52. Is there another form of presenting price information that may be used in computing local market prices? 24
53. Illustrate the way in which actual local market prices are computed, using the cotton futures price and the basis for each grade and staple. 24
54. How can the basis be determined in local markets? 24
55. Illustrate the way in which approximate costs of transportation, handling, and other items may be figured. 25
56. Illustrate the way in which the basis for local market A (not a mill point) may be computed. 25
57. How can the basis be figured for mill points where cotton does not move to some central market but is bought and consumed locally? 25
58. How can the grade and staple price differences for various qualities of cotton be determined in local markets? 25

Answers on page

- | | | |
|-----|--|----|
| 59. | What price quotations on grade and staple are furnished by the Agricultural Marketing Service? | 26 |
| 60. | Should central market price differences be posted in local markets? | 27 |
| 61. | What are the duties and responsibilities of group representatives in quoting and posting the local basis and grade and staple differences along with cotton futures prices? | 27 |
| 62. | To what extent can field representatives of the Agricultural Marketing Service assist in quoting local market prices? | 27 |
| 63. | How can members of organized groups assist in quoting local market prices? | 27 |
| 64. | If prices in local markets are out of line with those indicated by central market prices and prices in nearby local markets, what steps should group representatives take to correct this situation? | 27 |

Marketing of Members' Cotton

- | | | |
|-----|---|----|
| 65. | What are some methods that might be used by organized groups for using cotton classification and market news in marketing their cotton? | 29 |
| 66. | What are some of the possibilities of having classification on Form 1 cards accepted from the individual farmers by cotton buyers? | 29 |
| 67. | What are some of the possibilities of members selling their cotton as a group? | 29 |

General Information on the Cotton Situation

- | | | |
|-----|--|----|
| 68. | Is it necessary for group representatives and members of organized groups to keep themselves informed on the general cotton situation? | 29 |
| 69. | What general cotton marketing information is available? | 30 |
| 70. | How can this information be obtained? | 30 |

Some of the General Duties and Opportunities for
Service by Group Representatives

1. One of the first duties of a group representative is to make certain that all members are fully acquainted with the services available to the group and with the most effective means of using them. At the beginning of the cotton season and as the crop begins to move, each member should be kept posted as to results obtained by other members through the use of the classification and market news service. Each member should be encouraged to feel that he is a part of the organization and that full benefits can be obtained only if each person does his part.

2. The amount of time the group representative or his alternate spends on the affairs of the group will depend upon how well this work is performed, the extent to which it is delegated, and the number of members in the group. The two principal functions of the group representative are, of course, drawing and shipping samples and posting market news. If he undertakes to perform these functions himself, without aid from other persons, it will be necessary for him to spend at least a part of each business day attending to the affairs of the group. If this work is delegated to other persons, the amount of time required of the group representative will be lessened substantially. It should be noted in this connection that "such representative or alternate representative need not be a producer or a member of the group".

3. Group representatives must furnish certain detailed information to all members if their organization is to function properly. The group representative must make certain that each member knows where his cotton is to be ginned. In those groups where certain days have been designated for ginning eligible cotton, members must be kept posted as to ginning days. Members should be told where market news is posted so that they may start using this information as soon as the ginning season opens.

4. In the early stages of the development of an organized group, membership meetings are probably the most effective means of keeping members posted. Personal contacts are desirable and effective but they may require an excessive amount of time. Notices may be published in local newspapers having a general circulation among members and in some instances use of local radio stations for this purpose may be practical. County agents and vocational agriculture teachers should assist in maintaining contacts with members.

5. It is apparent that if the group representative is efficiently to serve the group, he must be available as needed during the ginning season. Field representatives of the Agricultural Marketing Service make regular trips to each community and it is necessary for group representatives and these field men from the Department of Agriculture to meet as frequently as possible. These meetings should be arranged at a convenient time and place so as to conserve the time of both parties. If special problems arise, field offices of the Agricultural Marketing Service should be notified and meetings between group representatives and field representatives arranged.

6. To encourage proper picking or harvesting and handling of cotton, group representatives may find it helpful to show members the difference between samples taken from bales of carefully picked cotton and from bales carelessly or improperly harvested. A comparison of prices paid for cotton harvested under different

conditions might further emphasize the importance of careful harvesting. Members should be cautioned against leaving cotton in the field too long before harvesting, and against picking too soon after rains or heavy dews. Ginning wet cotton often results in damage to both fiber and seed. Mixing different varieties or qualities of cotton should be carefully avoided. And it is important to emphasize that if a bale contains two or more qualities it is classified according to the lowest of such qualities. This may apply to the mixing of two or more grades or two or more staples and in such cases the bale will be classified according to the lowest grade and shortest staple length contained in the sample.

7. Group representatives should keep both farmers and ginner informed of cotton that is reduced in grade because of rough preparation, gin cutting, or for any other reason. Investigation of the cause of such damage and proper steps to correct these causes should be encouraged. State gin specialists may be helpful in this connection. Rough preparation and gin-cut cotton may result from wet cotton, defective gin machinery or from the improper operation of the gin. Ginners should also be encouraged to use care in covering bales so as fully to protect the cotton.

8. The group representative should furnish ginner with a list of members of the group. Members should be encouraged to cooperate so as to prevent mixing ineligible cotton with that of the adopted variety. Ginning or attempting to have ginned ineligible cotton with cotton of the adopted variety is a violation of the agreement between the organized group and the Agricultural Marketing Service and will tend to defeat the purposes of the service. Such violation, if continued, will lead to the termination of the service.

Drawing, Preparing, and Shipping Samples

9. Competent samplers must be available at all times to draw samples from each eligible bale of members' cotton. This work may be done by the group representative or by competent persons designated by him. Arrangements must be made to draw those samples at the gin, warehouse, or other suitable place. If possible, all of the group's cotton should be sampled at the same place. Every precaution should be taken in designating samplers and where the sampling is delegated, supervision may be necessary. Sampling is the responsibility of the local representative of the group. It must be done or supervised by the representative.

10. The classification of cotton under the Smith-Doxey Act applies only to samples as and when submitted. Classification of a bale is based upon the grade and staple of cotton in the sample drawn from the bale. If the sample is not representative of the bale with which it is identified, classification will be misleading. If sampling is inaccurate, the classification will be worthless and the whole service to the group is likely to fail.

11. Samples must be taken from both sides of the bale. A cut about sixteen inches long and about two inches deep should be made. The cut should be made close to a band. The cut edge of the cotton should then be grasped firmly and pulled from the bale. The sample should be about six inches wide and about twelve inches long. It should be drawn in one piece. Samples drawn in small parts or wads are not satisfactory for classing. The layers of the sample should not be disturbed. The sample should weigh not less than 6 ounces (3 ounces from each side of the bale).

Samples of 3 ounces should be submitted from each round bale. Although this method of sampling is preferable, other methods may be used if samplers prefer them, provided samples are drawn in such manner as to be representative of the bale. In those areas where "plug" samples are customarily used, care should be exercised to insure their representativeness. If the group representative needs instructions in sampling, they will be given by field representatives of the Agricultural Marketing Service at the time supplies are delivered or later in the ginning season.

Trimming should be limited to the removal of bagging and bagging stains from the outside layer of the sample after it has been drawn.

12. The gin or warehouse tag number should be obtained from the tag attached to the bale at the time of sampling. Only one number should be used. If the bale is sampled at the gin, use the gin tag number. If it is sampled at the warehouse, use the warehouse tag number. In figure 1, the gin tag number used for illustration is 874. When the gin tag number is used, the word warehouse should be blocked out on the card, as illustrated (fig. 1). When the warehouse tag number is used, the word gin should be blocked out. The date on which the bale of cotton was ginned should be placed on the upper right hand corner of the card. On the reverse side of the card, as shown in figure 2, the name and post office address of the member-owner should be typed or legibly written.

13. A Form 1 classification card, with coupon attached, bearing the gin or warehouse tag number, date of ginning, and the name and address of the member-owner should be placed between the two parts of the sample. The information placed on the Form 1 classification card should be carefully checked. The card should be placed in the sample so as not to become displaced in transit. The sample should then be tightly rolled lengthwise, (rubber bands, strings, or other packaging should not be placed around the sample after it is rolled), and packed in the shipping sack furnished for this purpose. This sack bears a self-addressed tag, which requires no postage at point of shipment. Sacks containing samples should be tied securely and mailed to the designated classing office. Sacks only partially filled should be tied down tightly with the draw string to prevent damage to the samples in transit.

14. Prompt shipment of samples by the group is essential. Shipments of all samples on hand should be made daily. The time of shipment should be made to conform with transportation schedules so as to avoid delays in shipment. Expenses connected with transportation of samples from the local shipping point to the classing office are borne by the Government.

15. Upon receipt of samples at the classing office, they are laid out on trays and each lot is classified as soon as possible after it has been properly conditioned. Ordinarily, each lot is classified in the order in which it is received. The samples are not returned. They become the property of the Government under the terms of the Smith-Doxey Act.

Classification of Samples and Quality

16. Cotton classification is the determination of the grade and staple length of the cotton in a sample. Classification under the Smith-Doxey Act is strictly in accordance with the Official Cotton Standards of the United States (fig. 3, 4, and 5).

UNITED STATES DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE COTTON CLASSIFICATION MEMORANDUM FORM 1				UNITED STATES DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE COTTON CLASSING SERVICE UNDER ACT OF APRIL 13, 1937 No. 344575								
GIN OR WAREHOUSE TAG NO. <u>874</u>	No. <u>344575</u>	<u>9-20</u>	19 <u>39</u>									
<p>PURSUANT TO THE ACT OF APRIL 13, 1937 (PUBLIC, NO. 28, 75TH CONG.), WE CERTIFY THAT ACCORDING TO THE OFFICIAL COTTON STANDARDS OF THE UNITED STATES THE GRADE AND STAPLE LENGTH OF THE SAMPLE OF COTTON HEREIN IDENTIFIED ARE AS SHOWN BELOW:</p> <table border="1"> <thead> <tr> <th>GRADE</th> <th>STAPLE</th> <th>REDUCED FROM A/C</th> <th>REMARKS</th> </tr> </thead> <tbody> <tr> <td><u>S M</u></td> <td><u>7/8</u></td> <td></td> <td><u>John Doe</u> CHAIRMAN, BOARD OF COTTON EXAMINERS 8-12014</td> </tr> </tbody> </table>					GRADE	STAPLE	REDUCED FROM A/C	REMARKS	<u>S M</u>	<u>7/8</u>		<u>John Doe</u> CHAIRMAN, BOARD OF COTTON EXAMINERS 8-12014
GRADE	STAPLE	REDUCED FROM A/C	REMARKS									
<u>S M</u>	<u>7/8</u>		<u>John Doe</u> CHAIRMAN, BOARD OF COTTON EXAMINERS 8-12014									
<p>NOTE:—THIS CLASSIFICATION APPLIES ONLY TO THE SAMPLE AS AND WHEN SUBMITTED</p>												

FIGURE 1.— FORM 1 CLASSIFICATION CARD — SHOWING GRADE AND STAPLE OF MEMBER'S COTTON.

DO NOT DETACH THIS COUPON IN PROPER PLACE WRITE GROWER'S NAME AND ADDRESS, AND ON REVERSE SIDE WRITE GIN OR WAREHOUSE TAG NUMBER.	U. S. DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE	PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, \$300
		OFFICIAL BUSINESS
	<u>Samuel Jones</u> (GROWER'S NAME) <u>Rt. A</u> (POST OFFICE) <u>Texas</u> (STATE)	
	G P O 8-12014	

FIGURE 2.— FORM 1 CLASSIFICATION CARD — SHOWING NAME AND ADDRESS OF MEMBER.

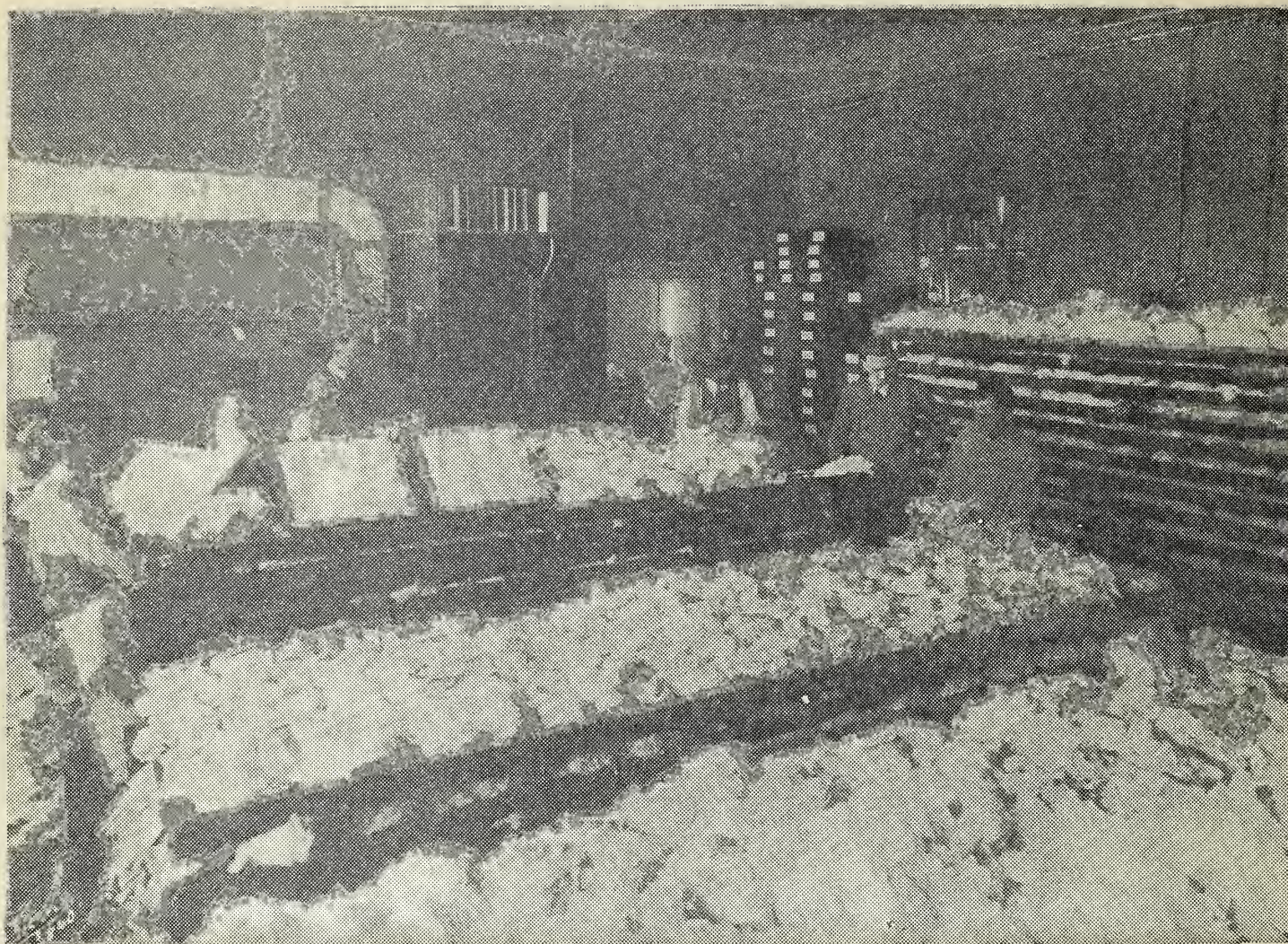


FIGURE 3.- SAMPLES LAID OUT ON CLASSING TABLES. TAGS ARE PLACED IN THE CENTER OF EACH SAMPLE, SEPARATING PORTIONS OF THE SAMPLE DRAWN FROM OPPOSITE SIDES OF THE BALE.

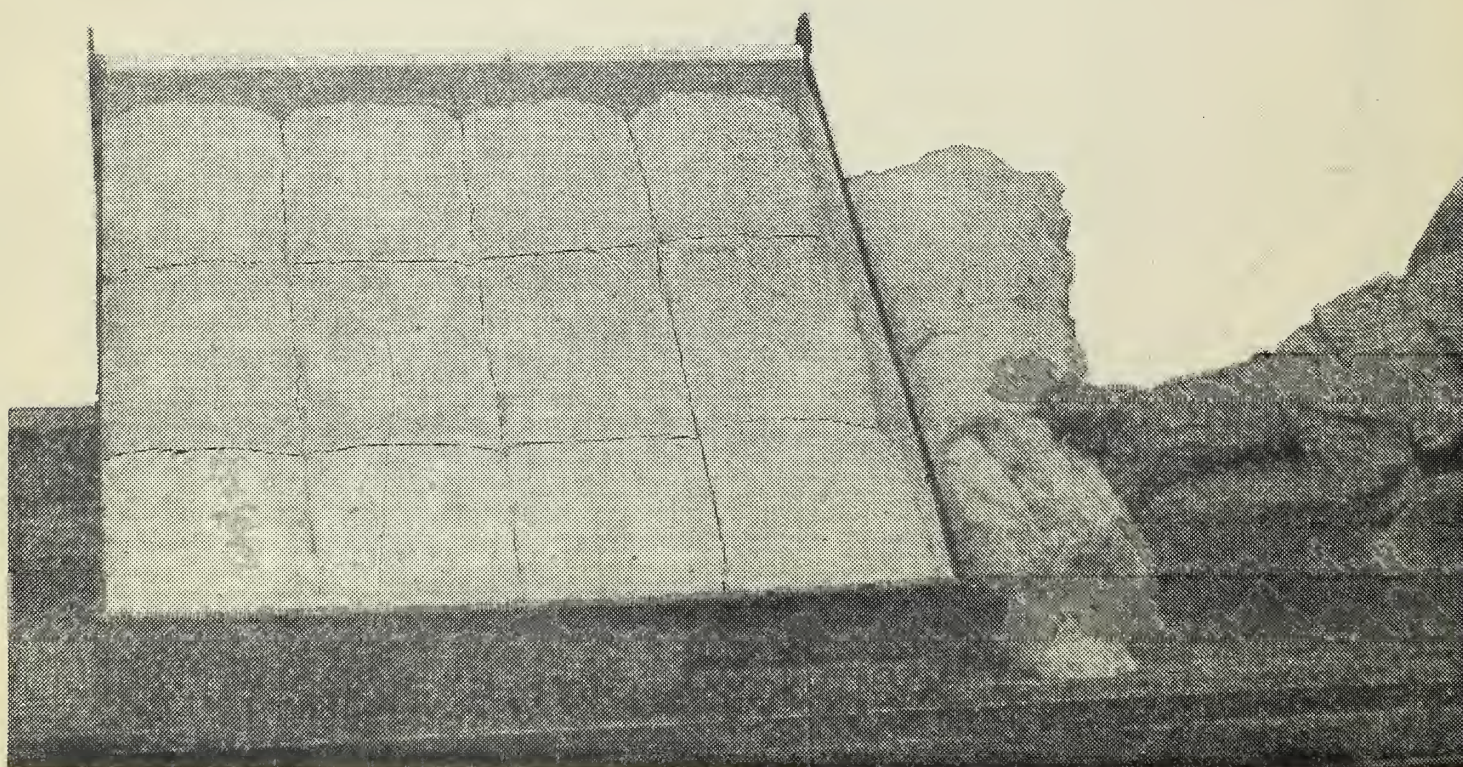


FIGURE 4.- THE PROPER METHOD OF COMPARING SAMPLES WITH THE STANDARDS FOR GRADE.

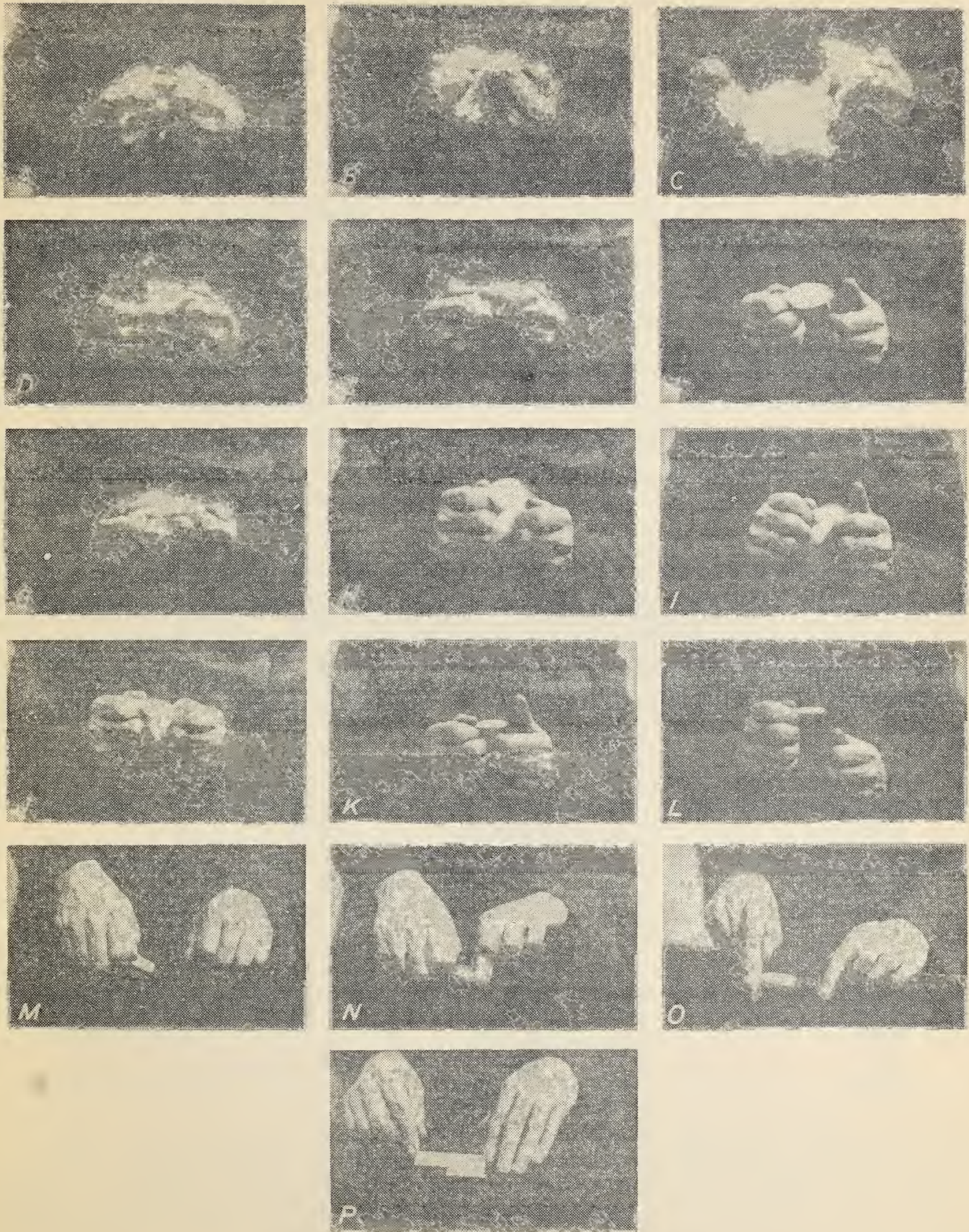


Figure 5.- Method of pulling staples.

17. Grade in cotton is a combination of three factors:

(1). Foreign matter.

(2). Color.

(3). Preparation.

Foreign matter refers to the leaf trash, shale, seeds, motes, dirt, and sand that normally remain to some degree in the lint after ginning. Foreign matter increases in quantity from the higher to the lower grades.

Color in most American cotton is classified as White but there are standard descriptions for Extra White, Spotted, Tinged, Yellow Stained, and Gray cotton.

Preparation denotes the smoothness of the lint resulting from ginning and the extent to which the normal condition of the fibers is preserved. Roughness of preparation reduces the grade of the cotton.

18. Grade is one of the significant measures of quality. Waste resulting from manufacturing processes varies to a considerable extent with grade, as indicated by the waste percentages in the following table, (averages for total visible picker and card waste). These differences in waste percentages, together with other differences in spinning utility, result in considerable variation in prices for various grades of cotton. The following table also shows average prices per pound for 8 grades of 1-inch cotton in the 10 designated markets, during the 1937-38 season.

<u>Grade</u>	<u>Average waste percentage</u>	<u>Average price 1-inch Cents per pound</u>
Strict Good Middling	6.12	10.06
Good Middling	6.83	9.99
Strict Middling	7.46	9.83
Middling	7.85	9.46
Strict Low Middling	9.80	8.78
Low Middling	10.97	7.63
Strict Good Ordinary	12.82	6.65
Good Ordinary	15.16	5.94

19. The grade of cotton is affected by harvesting and ginning practices and by natural factors such as rainfall, drought, frosts, windstorms, insects, and diseases. Farmers may improve the grade of their cotton by prompt and careful picking and by proper handling before ginning. Ginners may improve the grade of cotton by the use of suitable gin machinery, kept in proper adjustment and operated at proper speeds. Care must be exercised so as not to allow bales of high grade cotton to become plated with low grade cotton.

20. Staple length of a sample representing a bale of cotton is the length by measurement of a typical portion of its fibers selected at random as representative of the sample. The different staple lengths of cotton provided in the Official Cotton Standards of the United States are $3/4$ inch, $13/16$ inch, and from $7/8$ inch to $1-3/4$ inches, inclusive, measured in steps of $1/32$ inch. In the lengths longer than $1-1/2$ inches, physical standards or staple types are provided only for American-Egyptian and Sea Island cotton.

21. Staple length and the spinning utility of cotton are closely related. The longer staples are required for extra-fine and extra-strength yarns. And even in the coarser yarns where the shorter staples are ordinarily used, the longer staples of the same grade and character usually produce superior textile materials at somewhat lower labor and overhead costs as compared with those costs for similar materials made from shorter staples. Mainly for these reasons the longer staple cottons generally sell for a higher price than the shorter staples. The average price per pound of various staple lengths of Middling cotton in the 10 designated markets during the 1937-38 season was as follows:

<u>Staple length</u> <u>inches</u>	<u>Price of</u> <u>Middling in</u> <u>Cents per pound</u>
$13/16$	7.63
$7/8$	8.66
$15/16$	9.09
1	9.46
$1-1/16$ (Memphis, Tenn.)	9.75
$1-1/8$ (Memphis, Tenn.)	11.05

22. Staple length is determined to a large degree by the variety of seeds farmers plant but variations in soil and climatic conditions may affect the length of staple obtained from a given variety of cotton.

23. Character of cotton is usually defined as those quality factors not included in grade or staple length. These factors are described as body, uniformity, strength, and fineness of fibers. There are no official standards for character such as those for grade and staple although the official standards for length of staple represent "normal" or "average" character. But character is an important element in cotton quality and affects its value and spinning utility. In commercial practice, character is partially denoted by geographical origin and described as "Atlantics", "Deltas", "Westerns", and "Southwest Irrigated". Such descriptive terms as "strong", "soft", "weak", "immature", and "perished" are also used to denote character.

24. The uniformity of classification has been greatly increased by the establishment and use of fixed standards to which classers may refer for guidance. Thorough training of classers and careful supervision are also effective means of increasing the accuracy of both commercial and government classing. But differences and inconsistencies in the results obtained from the classification of the same samples by different classers or by the same classer at different times are not unusual. The Government classification system recognizes this and supervisory and appeal boards are maintained in order to minimize and correct these inconsistencies which occur among the best of classers.

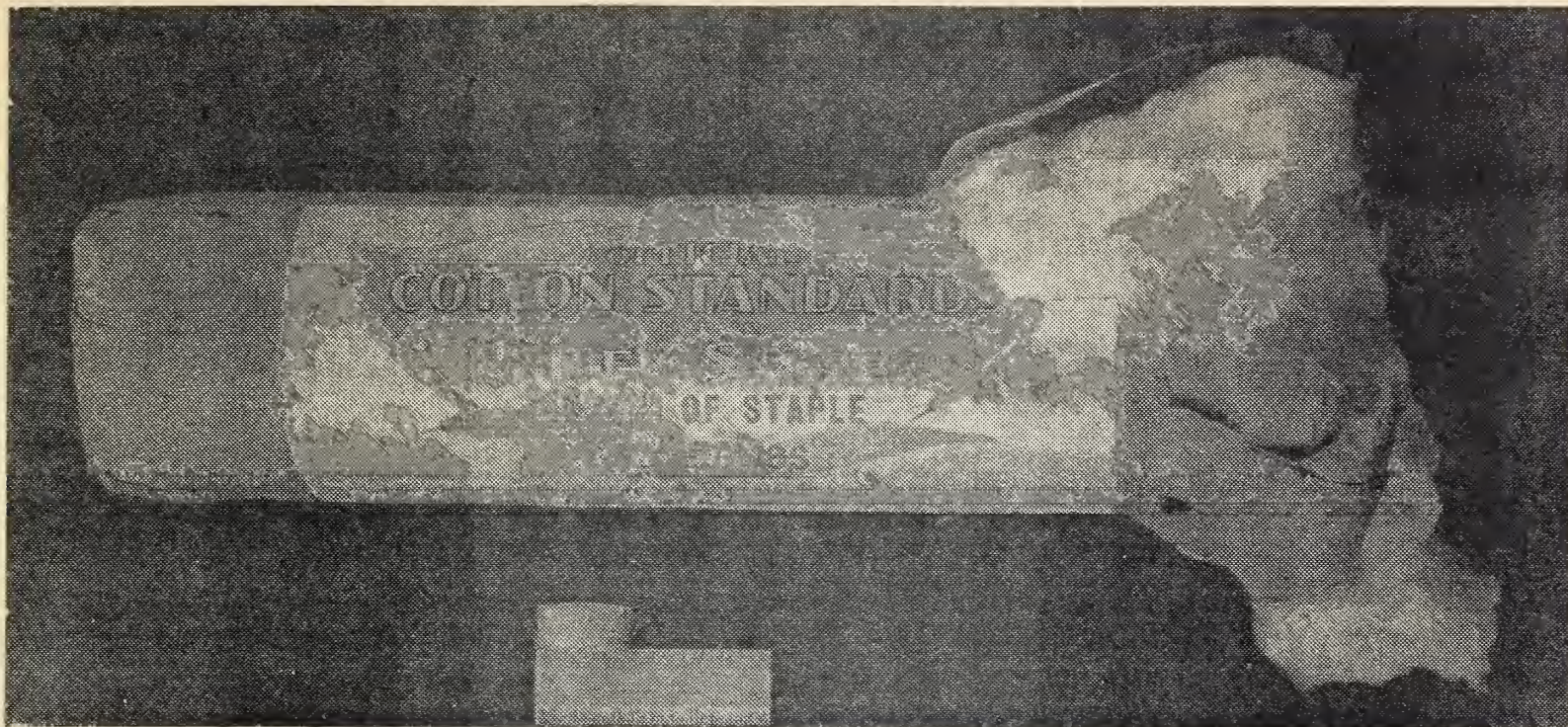


FIGURE 6.- A PRACTICAL FORM OF THE OFFICIAL COTTON STANDARD FOR LENGTH OF STAPLE 1-1/8 INCHES, AND A TYPICAL PULL OF FIBERS FROM THE COTTON.

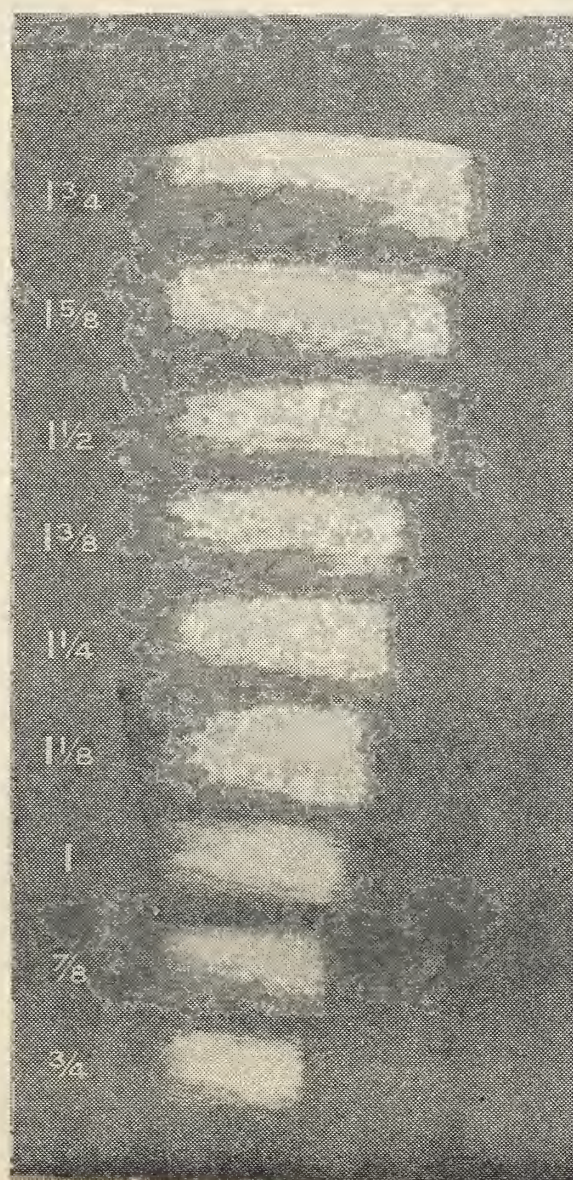


FIGURE 7.- STAPLE LENGTHS. PULLS FROM TYPES REPRESENTING THE OFFICIAL STANDARDS FOR NINE SELECTED LENGTHS OF STAPLE.

Cotton classing is not a mechanical process. In its present state of development, classing depends upon sight and touch, and involves the exercise of judgment in both grade and staple determinations. Nevertheless, all variations in classing are not errors of judgment. Frequently differences within the sample accounts for lack of agreement between two classifications of the same bale of cotton. And variations in atmospheric conditions and light under which classing is done frequently account for inconsistencies in classing results. Despite these occasional differences and inconsistencies, the results obtained are reasonably exact. Classification as practiced by the Government and by the cotton trade serves the purposes of cotton merchants and mills. It should equally serve the needs of cotton farmers for more accurate information about the grade and staple of their cotton.

25. The grade of the sample of members' cotton as classed is written in the lower left-hand corner of the Form 1 classification card.

26. Abbreviations used for grade on Form 1 classification card are as follows:

<u>Grade</u>	<u>White</u>	<u>Extra White</u>	<u>Spotted</u>	<u>Tinged</u>	<u>Yellow Stained</u>	<u>Gray</u>
Middling Fair	MF					
Strict Good Middling	SGM					
Good Middling	GM	GMEW	GMSp.	GMT	GMYS	GMG
Strict Middling	SM	SMEW	SMSp.	SMT	SMYS	SMG
Middling	M	MEW	MSp.	MT	MYS	MG
Strict Low Middling	SLM	SLMEW	SLMSp.	SLMT		
Low Middling	LM	LMEW	LMSp.	LMT		
Strict Good Ordinary	SGO	SGOEW				
Good Ordinary	GO	GOEW				

27. The staple length in inches or fractions of an inch appears just to the right of grade designations on the Form 1 classification card.

28. The term "reduced from a/c" on the Form 1 classification card refers to a reduction in grade or staple because of poor preparation or poor character. The grade or staple written under "reduced from a/c" on the Form 1 card is the grade or staple of the sample before reduction for the reason stated. This grade or staple is not to be confused with the actual grade or staple of the sample written in the lower left-hand corner of the card.

29. An explanation of or the reason for any reduction in grade or staple referred to in section 28 is written on the Form 1 card in the space under "Remarks"

Explanations that may be written under "remarks" are as follows:

ROUGH PREP means ROUGH OR POOR PREPARATION
 GIN CUT means GIN CUT
 WEAK STAPLE means WEAK STAPLE
 IMMATURE means NO STAPLE

30. The time required for members to receive the classification of samples on Form 1 classification cards depends upon the following:

- (1). Promptness with which samples are shipped by local representatives.
- (2). Time required for transporting samples to classing offices.
- (3). Time required for conditioning samples at classing offices.
- (4). Time required for classing and recording classification on Form 1 cards.
- (5). Time required for cards to reach grower-members through the mail.

Experience with the classification service during the 1938-39 season indicates that the average time required for returning Form 1 cards is likely to vary from 36 to 72 hours, depending upon the distance from the group shipping point to the classing office and the various other factors mentioned above.

31. The local representative or sampling agency receives a classification sheet showing the grade and staple of all samples received by the classing office. Ordinarily, the local representative should receive this classification sheet, which will be in code, at about the same time members receive their Form 1 classification cards through the mail. The classification sheet shows various grades and colors, but it does not show them by name. The code for interpreting those classification sheets is shown in table 1.

Staples are designated by number -- each number designating that many thirty-seconds of an inch, as follows:

22 means no staple	41 means 41/32 or 1-9/32 inch
24 " 24/32 or 3/4 inch	42 " 42/32 or 1-5/16 "
26 " 26/32 or 13/16 "	43 " 43/32 or 1-11/32 "
28 " 28/32 or 7/8 "	44 " 44/32 or 1-3/8 "
29 " 29/32 or 29/32 "	45 " 45/32 or 1-13/32 "
30 " 30/32 or 15/16 "	46 " 46/32 or 1-7/16 "
31 " 31/32 or 31/32 "	47 " 47/32 or 1-15/32 "
32 " 32/32 or 1 "	48 " 48/32 or 1-1/2 "
33 " 33/32 or 1-1/32 "	49 " 49/32 or 1-17/32 "
34 " 34/32 or 1-1/16 "	50 " 50/32 or 1-9/16 "
35 " 35/32 or 1-3/32 "	51 " 51/32 or 1-19/32 "
36 " 36/32 or 1-1/8 "	52 " 52/32 or 1-5/8 "
37 " 37/32 or 1-5/32 "	53 " 53/32 or 1-21/32 "
38 " 38/32 or 1-3/16 "	54 " 54/32 or 1-11/16 "
39 " 39/32 or 1-7/32 "	55 " 55/32 or 1-23/32 "
40 " 40/32 or 1-1/4 "	56 " 56/32 or 1-3/4 "

Example:

Strict Middling 15/16" would be 42 - 30

Middling Spotted 1" would be 53 - 32

Strict Low Middling Tinged 1-1/16 would be 64 - 34

Table 1.- CODE FOR CLASSIFICATION OF THE CROP OF 1939

A. GRADES AND COLORS:

1. <u>Upland</u>	<u>Code</u>
<u>Extra White</u>	
Good Middling	31
Strict Middling	41
Middling	51
Strict Low Middling	61
Low Middling	71
Strict Good Ordinary	81
Good Ordinary	91
<u>White</u>	
Middling Fair	12
Strict Good Middling	22
Good Middling	32
Strict Middling	42
Middling	52
Strict Low Middling	62
Low Middling	72
Strict Good Ordinary	82
Good Ordinary	92
<u>Spotted</u>	
Good Middling	33
Strict Middling	43
Middling	53
Strict Low Middling	63
Low Middling	73
<u>Tinged</u>	
Good Middling	34
Strict Middling	44
Middling	54
Strict Low Middling	64
Low Middling	74
<u>Yellow Stained</u>	
Good Middling	35
Strict Middling	45
Middling	55
<u>Gray</u>	
Good Middling	36
Strict Middling	46
Middling	56
No grade	107

2. <u>American-Egyptian</u>	<u>Code</u>
No. 1	1
No. 1 $\frac{1}{2}$	2
No. 2	3
No. 2 $\frac{1}{2}$	4
No. 3	5
No. 3 $\frac{1}{2}$	6
No. 4	7
No. 4 $\frac{1}{2}$	8
No. 5	9
No. grade	10

American-Egyptian cotton will be designated "10" for color.

3. <u>Sea-Island (U.S. Growth)</u>	<u>Code</u>
No. 1	1
No. 1 $\frac{1}{2}$	2
No. 2	3
No. 2 $\frac{1}{2}$	4
No. 3	5
No. 3 $\frac{1}{2}$	6
No. 4	7
No. 4 $\frac{1}{2}$	8
No. 5	9
No. 5 $\frac{1}{2}$	10
No. 6	11
Below	12

Sea-Island cotton will be designated "20" for color.

B. <u>PREPARATION</u>	<u>Code</u>
1. <u>Cotton shorter than 1-1/8 inches</u>	
Smooth	1
Normal	2
No. 1 Reducing one grade	3
No. 2 Reducing two grades	4
No. 3 Reducing more than two grades	5
2. <u>Cotton 1-1/8 inches and longer</u>	
A	6
B	8
C	10
D	11
Gin cut	12

Terms "Bright" and "Light Spot" will be designated by "+" and "L" respectively, following the grade and color code as "52+" and "53 L".

32. Classification sheets received by group representatives or sampling agencies furnish members with the grade and staple of their cotton in case they fail to receive or misplace Form 1 classification cards. Duplicate Form 1 cards will not be issued by classing offices. Classification sheets may also be used to make comparisons of quality of cotton produced in each community from one season to another and in the preparation of news stories. These sheets show any progress that the group may make in improving the quality of cotton produced and the degree to which uniformity of staple is achieved. It is also essential for the group representative or sampling agency to have information on the quality of cotton that various members produce, in order to encourage improved harvesting and ginning methods. It is apparent that for the group leader to be of maximum service to his organization, he must keep a complete and permanent file of these classification sheets.

Cotton Market News Service

33. A member needs all price information which may have a bearing on prices in his local market. Such information should include premiums and discounts for grade and staple. It should be used to ascertain the approximate local market price for each quality of cotton a member has for sale.

34. Group representatives may figure the approximate price of the grade and staple that members have to sell from cotton futures prices, central market price quotations, and from available local price quotations. Prices arrived at in this manner are in the nature of appraisals and do not necessarily mean that members will receive exactly those prices in every instance. In some cases, they may receive slightly more, in others slightly less than the indicated value of their cotton. In any event, the group representative should stress the point that, in the absence of some special arrangement for the sale of the group's cotton, each member must find a buyer and make the sale of his own cotton.

35. Price quotations for both local and central markets are approximations of actual values and are in the nature of averages for each grade and staple. There is a range within each grade and cotton on the high side of the grade may sell for somewhat more than cotton on the low side of the same grade. The character of cotton also affects values and the use to which buyers intend to put cotton of a particular character may result in higher prices for one farmer's cotton than for another's cotton of the same grade and staple length. Character, however, should not vary greatly within a single one-variety community. Price quotations are guides for bargaining and are not "iron-clad" measures of value which can be secured under all circumstances.

36. Group representatives or members of organized groups may use cotton futures prices in figuring local market prices in much the same way that local buyers use them. Ordinarily, local buyers base their offers to buy on futures prices and upward and downward swings in offers from day to day generally reflect changes in futures prices. For that reason, it is important for group representatives and members to understand and to keep posted on current cotton futures prices.

37. Cotton futures prices are price quotations for actual transactions in cotton futures contracts. These prices reflect the price of Middling 7/8-inch cotton to be delivered at some future date. The seller, however, has the privilege of delivering other specified grades and staples with certain additions or deductions in prices. The exact details of the qualities of cotton tenderable on a contract may be obtained by writing the Agricultural Marketing Service, Washington, D. C., but it is not essential to know those details to make use of price quotations for futures contracts.

38. Cotton futures contracts are agreements in which the seller agrees to deliver and the buyer agrees to receive a specified quantity of cotton at some future time in accordance with rules and by-laws of the exchange upon which the contract is made, and according to the United States Cotton Futures Act. The contract provides for the delivery of the equivalent of approximately 50 or 100 bales depending upon its terms. It provides that cotton may be delivered at certain designated delivery points but only one such point may be used in making delivery on any one contract.

39. Cotton futures markets are markets in which there are organized exchanges where cotton is bought and sold for future delivery. In the United States, cotton futures exchanges are the New York Cotton Exchange, the New Orleans Cotton Exchange, and the Chicago Board of Trade.

40. Group representatives and members of organized groups may obtain current cotton futures prices from the following sources:

- (1). Radio.
- (2). Daily newspapers.
- (3). Telegraph services.
- (4). Reports of the Agricultural Marketing Service.
- (5). Cotton brokerage offices.

41. The Agricultural Marketing Service has arranged to furnish cotton futures price quotations to radio stations throughout most of the Cotton Belt. These prices are broadcast at regular intervals throughout the day in many areas, especially in those sections where cotton farmers and others seem sufficiently interested to justify such broadcasts. In most instances, broadcasts are made four times daily -- at or about 9:10 A.M., 11:10 A.M., 1:10 P.M., and 2:10 P.M., central standard time. Any one owning a radio set may obtain these prices. In many sections of the Cotton Belt, certain radio stations broadcast cotton futures prices at more frequent intervals during the day. Schedules of radio broadcasts should be posted on bulletin boards in local communities and detailed information may be obtained by writing field offices of the Agricultural Marketing Service.

42. The larger daily newspapers in all cotton-growing States publish cotton futures prices daily. Afternoon papers may publish prices for the same day that the newspaper is published. Morning papers publish futures prices for the previous day. Usually, newspapers publish cotton futures prices in about the following form:

	Open.	High.	Low.	Close.	Prev. Close.	Year Ago.
July	9.45	9.47	9.43	9.45	9.43	8.99
Oct.	8.81	8.81	8.76	8.78	8.77	8.94
Dec.	8.61	8.62	8.57	8.59	8.59	9.02
Jan.	8.51	8.51	8.46	8.48	8.48	9.04
Mar.	8.41	8.42	8.37	8.38	8.39	9.09
May	8.34	8.35	8.30	8.30	8.32	9.12

The above table shows cotton futures prices quoted on the morning of July 7, 1939 for July 6 and comparisons for the previous day and the same day a year earlier. These price quotations usually appear at the end of a news story about the cotton market. The months at the left of this table indicate months in which each futures contract quoted matures. July, October, and December relate to 1939 and January,

March, and May to 1940. The first column headed "open" shows quotations for the first contracts in each month sold after the opening of the market. Figures under "high" are the highest prices for which contracts sold during the day and those under "low" are the lowest prices for the day. Prices under "close" show the price at which contracts sold at the close of the market for each month and those under "previous close" and "year ago" are corresponding prices for the close of the market on the preceding day and on the same day a year earlier, respectively.

43. Telegraph services furnish the most up-to-date prices on cotton futures available. Quotations are furnished by this service every quarter hour during the day. Such direct wire services may be practical for some groups in the larger local markets but in the smaller ones, the service is probably too expensive. The larger groups might investigate the possibility of obtaining this service and smaller groups may be able to obtain the service from local cotton buyers.

44. The Agricultural Marketing Service publishes daily and weekly reports showing cotton futures prices along with other price and market information. These reports may be obtained free upon request as indicated in sections 59 and 69. Such price quotations, however, must be sent through the mail and will not be strictly current even when daily reports are received.

45. In the larger local markets, cotton futures prices are posted on bulletin boards in cotton or commodity brokerage offices. These boards are frequently accessible to the general public and in some instances the membership of organized groups may find it practical to use this source for cotton futures price quotations.

46. Ordinarily, price quotations for the near-active futures months should be used in figuring prices in local markets. Near-active cotton futures prices are quotations for futures contracts which call for delivery of actual cotton in the month nearest to the time the quotation is made. The active futures months are July, October, December, January, March, and May. Early in the cotton-marketing season, that is, during August and September, the near-active futures month is October. During October and November, the near-active month is December. And for December, January, and February, the near-active futures month is usually March. In some instances, January may be the near-active month during late November and December but usually the volume of trading is so small in January futures that it is not used as a near-active month.

47. Cotton futures prices are useful as indicators of fluctuations in cotton prices but they must be adjusted to specific qualities of cotton and for given local markets for use in indicating approximate local market prices. The factor used in making these adjustments is called the "basis".

48. "Basis" usually refers to the difference in points per pound between cotton futures prices quoted on some given cotton futures exchange and spot prices (prices for actual cotton) in some specified cotton market. It is usually expressed in points on or off the price quotation for the near-active futures month. Points mean hundredths of a cent -- 1 point equals 5 cents per 500-pound bale. "On" indicates that the basis should be added to the futures price quotations and "off" indicates that it should be subtracted.

49. There are three chief sources of information available for determining the basis in local markets:

- (1). Transportation and other costs -- (insurance, compression, handling, merchandising profit, etc.) to ship cotton from local markets to mill centers or ports.
- (2). The basis in central markets and in other nearby local markets.
- (3). Buying limits or offers of local cotton buyers.

50. The following illustration shows the way in which cotton futures prices, the basis, and premiums and discounts for grade and staple may be set up for practical use of organized groups in local markets. The basis for Middling 7/8 inch, in this example, is 30 points off October and other figures in the table are premiums and discounts in points on or off the local market price for Middling 7/8 inch.

<u>Futures prices</u>		<u>Open</u>	<u>11:00 A.M.</u>	<u>12:00 Noon</u>	<u>Close</u>
New York, October - July 6, 1939		8.81	8.75	8.80	8.78
LOCAL BASIS - Middling 7/8" 30 off October					
Grade	: 13/16" : 7/8" : 15/16" : 1" : 1-1/16" : 1-3/32" : 1-1/8"				
	: <u>Points</u> : <u>Points</u> : <u>Points</u> : <u>Points</u> : <u>Points</u> : <u>Points</u> : <u>Points</u>				
SM	: 75 off: 25 on : 45 on : 65 on : 90 on : 110 on : 170 on				
M	: 100 off: Base : 20 on : 40 on : 65 on : 85 on : 130 on				
SLM	: 160 off: 60 off: 45 off: 30 off: 10 off: 10 on : 40 on				

51. The information presented in the form illustrated in section 50 may be used to compute local prices as follows:

<u>At the opening - (Strict Middling 1-inch)</u>	<u>Cents</u>
October futures	8.81
Basis (30 points off October)30
Local market price of Middling 7/8 inch (Base)	8.51
Premium for Strict Middling 1 inch - 65 points on65
Local market price of Strict Middling 1 inch	9.16
<u>At the close - (Strict Low Middling 13/16-inch)</u>	
October futures	8.78
Basis (30 points off October)30
Local market price of Middling 7/8 inch (Base)	8.48
Discount for Strict Low Middling 13/16"- 160 points off	1.60
Local market price of Strict Low Middling 13/16"	6.88

If the method illustrated here is used, local market prices may be computed at any time of day and for any grade and staple of cotton for which quotations appear in the form illustrated in section 50.

52. Another form of presenting price information in local markets is as follows:

<u>Futures prices</u>	<u>Open</u>	<u>11:00 A.M.</u>	<u>12:00 Noon</u>	<u>Close</u>
New York, October - July 6, 1939	8.81	8.75	8.80	8.78

<u>LOCAL BASIS</u>							
Grade	: 13/16"	: 7/8"	: 15/16"	: 1"	: 1-1/16"	: 1-3/32"	: 1-1/8"
	: <u>Points</u>	: <u>Points</u>	: <u>Points</u>	: <u>Points</u>	: <u>Points</u>	: <u>Points</u>	: <u>Points</u>
SM	: 105 off:	5 off	: 15 on	: 35 on	: 60 on	: 80 on	: 140 on
M	: 130 off:	30 off	: 10 off	: 10 on	: 35 on	: 55 on	: 100 on
SLM	: 190 off:	90 off	: 75 off	: 60 off	: 40 off	: 20 off	: 10 on

Presented in this way, each price difference is a basis or the difference between the near-month futures price and local prices for spot cotton. That is, grade and staple differences are adjusted for the price level in the local market. In this example, all grade and staple differences are adjusted downward by subtracting 30 points.

53. The information presented in the form illustrated in section 52 may be used to compute local prices as follows:

<u>At the opening - (Strict Middling 1-inch)</u>	<u>Cents</u>
October futures	8.81
Basis for Strict Middling 1 inch (35 on)35
Local market price of Strict Middling 1 inch	9.16
<u>At the close - (Strict Low Middling 13/16-inch)</u>	
October futures	8.78
Basis for Strict Low Middling 13/16 inch (190 off)	1.90
Local market price of Strict Low Middling 13/16 inch	6.88

54. The basis for any particular quality of cotton in a given local market is determined by the outlets for the cotton produced and transportation and handling costs to those outlets. In localities where local mill consumption equals or exceeds production, such as is the case in southeastern mill points, the local price of Middling 7/8 inch is frequently higher than prices for near-active futures. This may also be true when there is a general scarcity of spot cotton. In such instances,

the basis for Middling 7/8 inch will be a given number of points on the price of the near-active futures contracts. But in most local markets, especially those in the central and western parts of the Cotton Belt, the local price of Middling 7/8 inch is usually lower than the price of near-month futures. In these markets, the basis for Middling 7/8 inch will be a given number of points off prices for near-month futures contracts.

55. The method of figuring costs of transportation, handling, and other items may be illustrated as follows for local market (A) from which all cotton moves to Houston, Texas:

	<u>Points per pound</u>
Freight from local market (A) to Houston	60
Handling charges (loading and unloading)	6
Interest, insurance, exchange, etc.	6
Merchandising profit (assumed for illustration)	<u>15</u>
Transportation and handling costs	87

56. The basis for local market (A) (not a mill point) may be computed as follows:

	<u>Cents per pound</u>
Houston price for Middling 7/8 inch	9.35
Transportation costs and other items to get cotton from market (A) to Houston	<u>.87</u>
Local market price for Middling 7/8 inch	8.48
October futures price (New York)	8.78
Local market price for Middling 7/8 inch	<u>8.48</u>
Basis for Middling 7/8 inch (October New York)30 off

The basis figured in this way should be carefully checked against actual prices offered and paid for cotton in market (A) and against prices in central and in nearby local markets.

57. In mill points, costs for transportation, handling, and other items for local cotton are of little importance. The basis in these markets may be figured from the basis in nearby local markets and from bids and offers in the market quoted.

58. When quoting grade and staple price differences for local markets, the following information will be of assistance:

- (1). Central market grade and staple differences furnished by the Agricultural Marketing Service.
- (2). Grade and staple differences in nearby local markets.
- (3). Offers and actual prices paid for various qualities of cotton in the local market.

All of these sources of information should be used in computing local market differences for various grades and staples because no one source necessarily indicates the correct differences for a given local market.

59. Price quotations for grade and staple differences in central markets will be furnished daily from field offices of the Agricultural Marketing Service. The form of these difference sheets is illustrated by quotations for the Memphis market shown in table 2.

Table 2

Memphis, Tenn. Dec. 28, 1938.

PRICE INFORMATION FOR POSTING ON BULLETIN BOARD

QUOTATIONS FOR THREE DESIGNATED MARKETS

Following are base price quotations for Middling 7/8" and the grade and staple differences in points above and below Middling 7/8", as quoted in the Designated Market named below:

<u>MEMPHIS, TENN.</u>	<u>13/16"</u>	<u>7/8"</u>	<u>15/16"</u>	<u>1"</u>	<u>1-1/32"</u>	<u>1-1/16"</u>	<u>1-3/32"</u>	<u>1-1/8"</u>
<u>WHITE</u>								
Good Middling	15off	45 on	70 on	95 on	105 on	115 on	160 on	255 on
Str. Middling	15off	35 on	60 on	85 on	95 on	105 on	150 on	235 on
MIDDLING	50off	8.40¢	25 on	50 on	60 on	75 on	100 on	160 on
Str. Low Mid.	150off	60off	25off	Even	10 on	35 on	60 on	85 on
Low Middling	200off	125off	115off	100off	50off	Even	10 on	50 on
Str. Good Ord.	285off	225off	175off	175off	175off	175off	175off	130off
Good Ord.	295off	250off	175off	175off	175off	175off	175off	175off
<u>SPOTTED</u>								
Good Middling	40off	10 on	35 on	60 on	70 on	85 on	110 on	125 on
Str. Middling	50off	Even	25 on	50 on	60 on	75 on	100 on	115 on
MIDDLING	150off	60off	25off	Even	10 on	10 on	10 on	20 on
Str. Low Mid.	200off	125off	115off	75off	50off	25off	25off	10off

Note: This is only part of the difference sheet as released from Memphis -- differences for the Little Rock and New Orleans markets and certain cotton futures prices are also shown on this sheet.

Central market price quotations for grade and staple differences are released from field offices as follows:

From Atlanta, Georgia:

Norfolk, Virginia
Savannah, Georgia
Augusta, Georgia
Montgomery, Alabama

From Memphis, Tennessee:

Memphis, Tennessee
Little Rock, Arkansas
New Orleans, Louisiana

From Dallas, Texas:

Dallas, Texas
Houston, Texas
Galveston, Texas

Price differences for cotton grown in the irrigated districts of Texas, New Mexico, and Arizona will be issued daily from El Paso, Texas. Differences for cotton grown in California will be released from Bakersfield, California.

60. Price differences for central markets should be posted so that members of the group may study them daily. In local markets where it is impractical to quote local prices, these central market price differences may be the only information available to group members for various grades and staples. Therefore, it is essential that differences for central markets be promptly posted.

61. The group representative is responsible for working out a method for determining and quoting the basis and differences in each local market. The group representative is also responsible for making this information, along with cotton futures price quotations, available to members. In most cases, this can probably best be done by posting quotations in some public place. It is essential that all price information be kept up-to-date. Futures prices should be posted as they are received during the day. Central market price differences and other market information furnished by the Agricultural Marketing Service should be posted as it is received. Necessary changes should be made from time to time in local price differences and basis.

A bulletin board suitable for this purpose is illustrated in figure 8.

62. Since it is not feasible for field representatives to call on local markets more than once or twice a month, it is impossible for the Agricultural Marketing Service to take responsibility for quoting local market prices. Assistance by field representatives will ordinarily be along the following lines:

- (1). To explain the use of the market news service furnished by the Agricultural Marketing Service to organized groups.
- (2). To make sure that group leaders receive all available price quotations and other market information.
- (3). To furnish group representatives with general market information from nearby local markets.
- (4). To explain the service to local cotton buyers and encourage cooperation between buyers and organized groups.

63. Members should cooperate with group representatives in quoting local market prices by furnishing complete information on offers and prices received by them for various qualities of cotton. This cooperation is essential to quoting accurate local prices. This can best be done by regular contacts between group members and representatives, and by the exchange of information.

64. Group representatives should call to the attention of local cotton buyers discrepancies between local market prices and those in central markets or nearby local markets. Before taking steps to correct apparently inaccurate quotations, however, a sincere effort should be made to find some legitimate reason for differences. But if discrepancies cannot be explained or corrected, the group should consider making arrangements for bringing additional buyers into the market or for members to sell cotton in other markets.

[illegible]

Figure 8.-An illustration of a bulletin board suggested for use in organized groups.

Board specification - 3'3" x 3'2"
(Scale of example - 2" = 1')

Marketing of Members' Cotton

65. In the absence of special arrangements for general acceptance of the classification ^{on} Form 1 cards by buyers from individuals or from the group as a whole, members can probably use their classification and market news to the best advantage by using it for their own information in selling their cotton. But in considering the use of quality information in selling, one of the first decisions to be made by an organized group is whether to sell as individuals or as a group.

66. If the members wish to sell their cotton as individuals on the basis of classification on Form 1 cards, it is important that they secure the cooperation of cotton buyers. Representatives of cotton merchants, representatives of cooperative marketing associations or various types of cotton buyers, should be encouraged to accept the classification evidenced by Form 1 cards. The possibility of arranging for buyers or marketing associations to permit drafts to be drawn through a local bank on the basis of the grade and staple shown on the Form 1 card might well be investigated.

67. Some groups having a substantial volume of cotton may wish to sell as a unit rather than individually. In such instances the community organization may be able to assume this function. By pooling the cotton of the entire membership of the group, fairly large lots could be offered for sale from time to time throughout the season. Such sales could be made by public auction or by calling for sealed bids on specified and advertised lots. This method of selling may be adapted either to the sale of the entire lot of cotton or by lots of even running grades and staples assembled in accordance with the classification of the bales.

It is important in connection with this method of selling to give as much publicity as possible to the date and time of each sale so as to attract all available prospective purchasers. With proper planning and management, such group sales provide an opportunity to secure current market values for the various qualities of cotton.

Other methods of selling may be devised to meet the situation prevailing in any given community. Some groups may find it advantageous to arrange for the service of an experienced and reliable representative to act as agent or broker for the group and arrange for the sale of pooled lots for a stipulated fee or commission. Groups located within convenient distances of cotton mills may be able to make arrangements with such mills to accept a portion of the group's cotton on the basis of the classification shown on Form 1 cards.

General Information on the Cotton Situation

68. Group representatives should keep abreast of conditions relating to cotton marketing and the cotton situation both at home and abroad. This could be made a full-time job and each local representative must use his own judgment on how much time to spend in keeping himself informed and up-to-date on the general cotton situation. Many members or organized groups will also want to keep up-to-date on general cotton-marketing information. These members will have ample opportunity to do this at no cost to themselves except the time required to read, listen, and absorb information. Information is furnished, upon request, free of charge, by the Agricultural Marketing Service and by other branches of the Department of Agriculture. In

addition, there are other public and governmental agencies and many private concerns that publish reliable information on cotton prices and market conditions.

69. Information on the general cotton situation is condensed and summarized by the Agricultural Marketing Service and by various other Governmental agencies and released as follows:

(1). Daily for broadcasting by radio stations throughout the cotton-growing States.

(2). Weekly as market reviews. A general review of the cotton market and certain regional market information is released on Saturday of each week from the various field offices of the Agricultural Marketing Service.

(3). Monthly through a publication entitled "The Cotton Situation" released by the Bureau of Agricultural Economics.

70. The publications mentioned in Section 69 may be obtained free of charge by writing the

U. S. Department of Agriculture
Agricultural Marketing Service
Division of Cotton Marketing

at any of the following cities: Atlanta, Georgia; Dallas, Texas; Austin, Texas; El Paso, Texas; Memphis, Tennessee; Washington, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Regulations of the Secretary of Agriculture Governing Cotton Classification and Market News Services for Organized Groups of Producers Under the Act of April 15, 1937*

By virtue of authority vested in the Secretary of Agriculture by the provisions of the Act of April 15, 1937 (Public No. 28, 75th Congress), authorizing the Secretary of Agriculture to provide for the classification of cotton, to furnish information on market supply, demand, location, condition, and market prices for cotton, and for other purposes, I, H. A. Wallace, Secretary of Agriculture do prescribe, publish, and give public notice of the following regulations to be in force and effect on and after this date and until amended or superseded by regulations hereafter made by the Secretary of Agriculture.

REGULATION 1.—ADMINISTRATION

Section 1. The Chief of the Agricultural Marketing Service is charged with the supervision on behalf of the Secretary of Agriculture of the performance of all duties arising in the administration of the Act and these regulations.

Sec. 2. Regional offices.—Regional field offices shall be maintained at points designated by the Chief of the Service.

Sec. 3. Field classing offices.—The Chief of the Service may from time to time authorize the establishment of field cotton classing offices at other points.

REGULATION 2.—CLASSIFICATION AND MARKET NEWS SERVICES

Section 1. Classification of samples.—The Chief of the Service or his authorized representatives, upon request in writing from any group of producers organized to promote the improvement of cotton who comply with these regulations, shall, as hereinafter provided, furnish to such producers without charge the classification in accordance with the official cotton standards of the United States, of samples representing cotton produced by them. It appearing that funds appropriated for the administration of the Act may be insufficient to provide for the classification of all of the cotton grown by members of such groups, only samples representing that portion of members' cotton produced from an adopted improved variety or from seed replanted on land first planted during any growing season to seed of an adopted improved variety shall be eligible for classification under these regulations.

Section 2. Market News.—The Chief of the Service shall cause to be distributed to groups of producers organized to promote the improvement of cotton who comply with these regulations, and to others on request, for posting at gins, in post offices, or other public or conspicuous places in cotton growing communities, timely information on prices for various grades and staple lengths of cotton.

REGULATION 3.—ORGANIZED GROUPS

Section 1. Groups of producers organized to promote the improvement of cotton may be recognized as such within the meaning of the Act if they meet the following requirements:

(a) Such an organization may be an unincorporated association or it may be incorporated.

(b) The cotton fields of members of an organized group shall be located within the area generally recognized by the group as its community and any fields of members in which planting seed of the adopted variety and strain is produced shall be so located as to prevent or minimize cross pollination with other varieties or strains. The seed planted pursuant to the crop improvement program of any group shall be of such variety and seed stock of proven merit as shall have been agreed upon by the group, and the cotton produced shall be ginned in such a manner as to prevent the mixing of the seed or lint of an adopted variety with the seed or lint of other varieties or strains. Provision shall be made by the group for the procurement, production and economical distribution of approved planting seed of the adopted variety and strain for use by members of the group.

(c) Each organized group shall assume responsibility for obtaining, identifying, and shipping samples to be classified and for posting market information furnished to it in accordance with these regulations; shall see that samples are drawn, handled, and shipped in accordance with instructions furnished from time to time by representatives of the Service; and shall designate a responsible representative and an alternate representative to act for members of the group in matters pertaining to compliance with these regulations. Such representative or alternate representative need not be a producer or a member of the group.

REGULATION 4.—SAMPLING AND CLASSIFICATION

Section 1. A sample of approximately 6 ounces in weight representative of both sides of each square bale of cotton (of an adopted variety) ginned for a member of an organized group will be drawn and submitted for classification. For each round bale a representative sample of approximately 3 ounces will be submitted.

Sec. 2. Each lot of samples submitted for classification shall be enclosed in packages or bags which shall be labeled or marked so as to show the name and address of the representative or sampling agency of the organized group. Each sample shall contain a tag bearing the identification of the bale from which it was drawn and the name and address of the producer of such bale.

Sec. 3. Costs incident to sampling, tagging, and identification of samples and transporting samples to points of shipment shall be without expense to the Government except that tags and containers for the shipment of samples may be furnished and transportation charges paid by the Service. The samples shall become the property of the Government.

Sec. 4. Samples submitted as herein provided shall be classified by representatives of the Service and a statement showing the grade and staple length of each sample according to the official cotton standards of the United States will be mailed to the producer whose name appears on the tag accompanying the sample.

Sec. 5. The representative or alternative representative of a group may be designated by the group to receive classification data for its members.

REGULATION 5.—APPLICATIONS

Section 1. Applications shall be made on forms furnished or approved by the Service.

Sec. 2. Each such application shall include (a) the date; (b) the name and location of the organized group; (c) the name, address, acreage, and estimated production of each member of the group and the variety of the cotton to be grown by him; (d) a statement that the variety and strain adopted by the group has been agreed upon by a majority of the members; (e) a statement that the group is organized for the purpose of promoting the improvement of cotton; (f) copies of the organization papers of the group, such as articles of association and by-laws, and copies of growers' agreements, and other documents relating to cotton improvement by members of the group; (g) the name, title and post office address of the representative and the alternative representative designated to act for the group; (h) the estimated total number of acres of cotton or of an adopted variety to be grown during the year; (i) the arrangements that have been made for posting market information; (j) the arrangements for procuring and distributing planting seed; (k) other information that may be required by the Service; (l) a statement that the group agrees to comply with the Act and these regulations; and (m) the signature of an authorized official or leader of the group. It shall be further required that a statement be furnished from the cooperating state extension service or other state agency cooperating with the Bureau of Plant Industry of the United States Department of Agriculture, and subject to approval by representatives of that Bureau, or from a committee appointed by the Chief of the Agricultural Marketing Service for the purpose, that the group is organized for promoting the improvement of cotton; that all members' fields on which seed stocks are to be produced are so located as to prevent or minimize cross pollination; that the varieties of cotton and seed stocks are approved by such cooperating state agency or committee; that arrangements have been made for ginning the cotton in a manner which will prevent or minimize damage to the fiber and prevent the mixing of the seed or lint of one variety or strain with seed or lint of other varieties or strains; and that satisfactory arrangements have been made for procuring and/or distributing planting seed.

Sec. 3. Application shall be filed with an authorized representative of the Agricultural Marketing Service or mailed to such representative within a period of time to be announced by that Service for the receipt of applications for services during the year to which such application relates. To receive consideration, any such application submitted by mail shall have been postmarked before midnight of the last day of such announced period.

Sec. 4. Applications may be rejected for non-compliance with the act or these regulations, or when funds or facilities are not available to provide the services requested.

Sec. 5. Proof of authority of any person to make application on behalf of an organized group may be required.

Sec. 6. An organized group may withdraw its application at any time.

Sec. 7. Applications shall be subject to renewal from year to year in accordance with a procedure to be prescribed by the Chief of the Service or his representatives.

Sec. 8. Any expense involved in the preparation and filing of applications and requests for renewal shall be paid by the applicants.

REGULATION 6.—LIMITATION OF SERVICES

Section 1. The Chief of the Service or his authorized representative may suspend, terminate, or withhold cotton classing and market news services to any organized group upon its request or upon its failure to comply with the Act or these regulations, or when funds or facilities are insufficient to provide or continue such services.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the City of Washington, this 7th day of June 1938.

(SEAL)

H. A. WALLACE,
Secretary.

(F. R. Dec. 38--1628; Filed, June 8, 1938; 12:49 p.m.)

* The regulations as quoted herein were promulgated by the Secretary of Agriculture on June 7, 1938 (Federal Register, June 9, 1938, page 1561); and slightly amended on March 14, 1939. Section 1 of regulation 2 contains the revised language. Effective July 1, 1939, all duties arising in the administration of the Act and these regulations are transferred by authority in the Agricultural Appropriation Act, to the Agricultural Marketing Service.



